



## September Revenues Continue Positive Trend

September revenues came in ahead of projections for the seventh month in a row. The large surge in revenues, particularly during the spring, resulted in a year-end balance more than twice as high as estimated when the Legislature adjourned (line 1 below). The baseline revenue growth for FY 2005 ended up being 12.8 percent higher than the previous year, and, through the first quarter of FY 2006, is ahead of projections by \$21.5 million (line 4).

Idaho's current budget situation is the best it has been in four years. As hoped, economic growth has replaced the temporary sales tax. Temporarily at least, Idaho is experiencing a structurally balanced budget after four challenging years. Ongoing revenues for FY 2006 cover the state's ongoing budget commitments. This is largely due, however, to a spike in revenues driven by a hot real estate and construction boom that may or may not continue.

Based on the budget requests Budget and Policy Analysis has received from all state agencies and institutions, it is apparent there will be pressure for supplemental appropriations to cover estimated shortfalls for Medicaid spending, fire suppression, and for Corrections to move inmates out of state to satisfy bed space requirements (lines 14 through 17). This latter issue became more acute with a recent U.S. District Court decision that went against the state concerning inmate capacity at the Idaho State Correctional Institution.

Even with these added budget pressures, at this early point in the fiscal year it appears likely the Legislature will be able to handle a budget blueprint that will still leave a sizeable ending balance for FY 2006. The short-term budget outlook is sound for this year and likely next year, but the mid-term and long-term outlook for the General Fund budget and revenue structure poses challenges, due almost entirely to funding health care in general and Medicaid in particular (see following page).

Staff Contact: Jeff Youtz

### FISCAL YEAR 2006 ESTIMATE

	<u>Sine Die Estimate</u>	<u>Current Estimate</u>
<b><u>REVENUES</u></b>		
1. Beginning Balance	\$ 100,685,700	\$ 214,403,100
2. FY 2006 original estimate (5.1% increase)	2,076,894,000	
3. FY 2006 revised estimate (5.4% over actuals)		2,194,250,000
4. July thru Sept revenues over projection		21,500,000
5. HB 400a - Sales tax increase (one month)	13,448,000	17,540,000
6. Sales tax exemptions (R&D equip, energy)	(8,125,000)	(8,125,000)
7. Transfer to misc. endowment funds	(4,600,000)	(4,600,000)
8. Transfer to IDWR Revolving Dev Fund	(3,000,000)	(3,000,000)
9. Transfer to Budget Stabilization Fund	0	(22,676,900)
10. TOTAL REVENUES	\$ 2,175,302,700	\$ 2,409,291,200
<b><u>EXPENDITURES</u></b>		
11. FY 2006 Original Appropriation	\$ 2,180,928,300	\$ 2,180,928,300
12. 1% CEC (one-time) agencies & public schools	0	14,072,800
13. Supplemental Appropriation estimates:		
14. Medicaid	0	6,000,000
15. Other Health & Welfare supplementals		2,400,000
16. Corrections	0	5,600,000
17. Fire Suppression	0	10,000,000
18. Total Estimated Expenditures	\$ 2,180,928,300	\$ 2,219,001,100
19. Estimated Ending Balance	\$ (5,625,600)	\$ 190,290,100

## Long-Term Budget Outlook

The table below looks in the average percent increase of programs over the past 12 years, then applies the average percentage to the next 15 years to project General Fund spending. The Medicaid budget has increased an average of 12.5 percent since fiscal year 1995, and the budget for corrections has increased an average of 7.4 percent. To accommodate these relatively large increases, over which there is limited control, there has been pressure to limit discretionary spending in other areas of the budget, including higher education, which has averaged an increase of 3.2 percent, and public schools, which has averaged an increase of 4.4 percent.

If the growth trend continues, in 10 to 15 years the state will be spending more on Medicaid, the state/federal health insurance program for low-income Idahoans, than public schools and more on corrections than higher education. While the majority of the General Fund budget currently consists of education funding, the budgets for Medicaid and corrections could become the majority of the General Fund budget. Even limiting Medicaid to a 12.5 percent growth rate will be challenging; the Medicaid budget request for FY 2007 reflects a 19.5 percent increase. As the Medicaid budget gets larger, it drives the size of the overall state budget. The Legislature's ability to fund double-digit increases for Medicaid in 1995 was manageable when it was only 7.4 percent of the budget. Funding double-digit increases if Medicaid becomes 40 percent of the General Fund budget will be an entirely different challenge.

Even with these increases, Medicaid has not grown as fast as most private health insurance programs over the same period. The cost of health care impacts both the public and private sector immensely; there are no easy answers for policymakers to control this growth.

Staff Contact: Jeff Youtz

PROGRAM FUNDING COMPARISON *										
Fiscal Year	Medicaid		Col & Univ		Correction		Public Schools		State Budget	
1995	\$ 92.8		\$ 162.9		\$ 55.1		\$ 620.5		\$ 1,268.1	
1996	110.4	18.9%	169.3	4.0%	58.8	6.6%	659.9	6.4%	1,337.5	5.5%
1997	124.0	12.4%	173.5	2.4%	63.1	7.4%	678.8	2.9%	1,391.8	4.1%
1998	123.8	-0.2%	178.4	2.9%	74.1	17.4%	705.0	3.9%	1,446.4	3.9%
1999	139.2	12.4%	193.1	8.3%	78.2	5.6%	796.4	13.0%	1,609.7	11.3%
2000	162.8	16.9%	202.7	5.0%	82.4	5.3%	821.1	3.1%	1,679.8	4.4%
2001	205.3	26.1%	212.3	4.7%	94.6	14.7%	873.5	6.4%	1,828.5	8.9%
2002	223.1	8.7%	229.7	8.2%	108.6	14.9%	909.6	4.1%	1,979.5	8.3%
2003	236.8	6.1%	213.6	-7.0%	104.7	-3.6%	920.0	1.1%	1,925.5	-2.7%
2004	256.3	8.2%	218.0	2.1%	107.7	2.8%	943.0	2.5%	1,987.2	3.2%
2005	303.7	18.5%	225.7	3.5%	115.1	6.9%	964.7	2.3%	2,114.4	6.4%
2006	331.3	9.1%	228.9	1.5%	118.6	3.0%	987.1	2.3%	2,180.9	3.1%
		<b>12.5%</b>		<b>3.2%</b>		<b>7.4%</b>		<b>4.4%</b>		<b>5.1%</b>
Proj 2007	372.6		236.3		127.3		1,030.1		2,302.7	5.6%
2008	419.1		243.9		136.7		1,075.0		2,433.3	5.7%
2009	471.4		251.8		146.8		1,121.8		2,573.5	5.8%
2010	530.2		259.9		157.6		1,170.7		2,724.2	5.9%
2011	596.4		268.2		169.2		1,221.7		2,886.4	6.0%
2012	670.8		276.9		181.7		1,274.9		3,061.3	6.1%
2013	754.5		285.8		195.1		1,330.4		3,250.1	6.2%
2014	848.6		295.0		209.4		1,388.4		3,454.1	6.3%
2015	954.5		304.5		224.9		1,448.9		3,674.9	6.4%
2016	1,073.6		314.3		241.4		1,512.0		3,914.3	6.5%
2017	1,207.6		324.4		259.2		1,577.9		4,174.1	6.6%
2018	1,358.2		334.9		278.3		1,646.6		4,456.4	6.8%
2019	1,527.7		345.7		298.8		1,718.3		4,763.6	6.9%
2020	1,718.3		356.8		320.9		1,793.2		5,098.4	7.0%
2021	1,932.7		368.3		344.5		1,871.3		5,463.7	7.2%
2022	2,173.9		380.1		369.9		1,952.8		5,862.9	7.3%
2023	2,445.1		392.4		397.2		2,037.9		6,299.6	7.4%

\* In Millions of Dollars

## Interim Committee Activities

### Energy, Environment and Technology

The Energy, Environment and Technology Interim Committee met October 5 in Boise to discuss the issue of energy facility siting. The Department of Environmental Quality addressed the committee regarding air and water quality issues involved in siting an energy facility. Dr. Don Reading presented information about siting legislation in place in Arizona, California, Colorado, Montana, Nevada, Oregon, Utah and Washington, and Senator Clint Stennett presented a draft of legislation he had prepared on the subject. The Idaho Association of Counties expressed its opposition to the energy facility siting draft. The committee adopted a motion not to pursue siting authority for electricity generation during this interim. Representative George Eskridge made a presentation regarding certain provisions in the federal energy bill recently enacted by Congress. The committee's next meeting is scheduled for November 15 in the Joint Finance-Appropriations Committee room, with agenda items including siting authority for transmission lines, discussion of ethanol issues and a presentation from the National Conference of State Legislatures regarding energy policy in the states.

*Staff Contact: Mike Nugent*

**Membership of interim committees, meeting minutes and the calendar of scheduled meetings are all available on the Legislature's Web site:**

[Interim Committees and Minutes](#)

[Legislative Calendar](#)

### Property Tax

At a meeting on October 7 in Boise, the Property Tax Interim Committee began to formulate recommendations for the 2006 session. Members adopted motions to:

- ▶ have the Legislative Services Office draft legislation to simplify the allowance of development impact fees and to expand options available for local governments to employ local option taxation;
- ▶ increase the circuit breaker property tax replacement to an income limit of \$28,000 with a cap of \$1,320 that the state will contribute per applicant;
- ▶ include land in the 50-50 Homeowner's Exemption; and
- ▶ explore possible sources of revenue to replace property taxes that have been assessed and collected by local governments.

The next committee meeting is scheduled for November 1 at 9:30 a.m. in the Joint Finance-Appropriations Committee hearing room at the Statehouse.

*Staff Contact: Mike Nugent*

### Natural Resources

The Natural Resources Interim Committee will hold its next meeting in Boise on October 28, 2005. During its last meeting in June, the co-chairmen were authorized by the committee, in conjunction with Division Chief Clive Strong, Natural Resources Division of the Idaho Attorney General's Office, and Director Karl Dreher, Department of Water Resources, to appoint a subcommittee to study a number of potential recharge projects presented by the department during the June meeting. A Recharge Advisory Subcommittee was subsequently formed. The group held its first meeting in Twin Falls on August 23 for the purpose of reviewing a number of the potential recharge projects in more detail. During that meeting, the subcommittee agreed to return a recommendation of a project known as the W-Canal Recharge Project to the full Natural Resources Interim Committee.

*Staff Contact: Katharine Gerrity*

## Cervical Cancer Elimination

The Cervical Cancer Elimination Interim Committee held its final meeting on October 11 in Boise. Presentations to the committee included information on the role of public health districts, the role of community health centers in cervical cancer and Medicaid payments for cervical cancer treatment. Statistics were given on the population of women served by age group, number of Pap smear tests and follow-up visits, locations of clinics, referral arrangements, partnerships with other organizations and institutions, and funding sources. Barriers to screening and treatment include lack of transportation, cultural issues and lack of funding for follow-up care and services. Medical claims and Medicaid payments for cervical cancer treatment for 2001-2005 totaled over \$13.5 million; of that amount, over \$1 million was paid on just two cases of advanced stage cancer. Early detection is key in dealing with cervical cancer.

Dr. Alan Shaw, executive director, Virus and Cell Biology, Merck Research, explained the development and delivery system of vaccines and offered medical expertise throughout the meeting. Jean Scepk, Women's Health Check, Department of Health and Welfare, provided statistics on the demographics of cervical cancer in Idaho.

The committee discussed its findings and formulated recommendations that will be compiled in the committee's final report to the Legislature.

*Staff Contact: Maureen Ingram*

**Payments on cervical cancer-related claims for 2001-2005 totaled over \$13.5 million; of that amount, over \$1 million was paid on just two cases of advanced stage cancer. Early detection is key in dealing with cervical cancer.**

## Biotechnology Task Force

The Biotechnology Task Force met in Boise September 7 for an overview of the status of bioscience and biomedical research in Idaho. Researchers from Idaho's three universities described their bio-med programs, as well as goals and challenges in the biosciences. Each university has developed strengths in specific areas of research and is actively identifying additional funding sources. An effort common to all is moving the newly developed technologies into the marketplace.

Patient care is the primary mission of the Veterans Affairs Medical Center, followed by teaching and research. The purpose of the Mountain States Tumor and Medical Research Institute is to support, conduct and foster basic and clinical biomedical research, and provide research opportunities for Idaho clinicians, basic scientists and students. The Cancer Care Center at St. Alphonsus Regional Medical Center is interested in increasing its research presence and combining its resources and expertise with other local medical institutions to conduct large-scale clinical trials.

Representatives from two local biomedical companies, Sapidyne Instruments, Inc. and O.D.260, Inc., described the formation and growth of their operations, their worldwide customers and markets, their collaborations with other companies, government and universities, and the patenting process.

At its third meeting on September 29, the task force focused on the status in Idaho of bio-agriculture with its many facets. The mission at the Idaho National Laboratory has changed and its goal for the future is to predict and control biological systems. At the University of Idaho, traditional agriculture is undergoing a transition driven by the changes research in biotechnology is generating.

The task force also learned about the aquaculture industry in the Hagerman area; biodiesel research; bio-nanotechnology; the impact of basic research on the

development of agricultural; and intellectual property and transfer of technology developed in federal and university laboratories to commercial applications. General factors of success were enumerated. Specific strengths upon which Idaho can build were identified, a major one being Idaho's high quality, sophisticated, diversified agricultural industry.

*Staff Contact: Maureen Ingram*

## Idaho School for the Deaf and the Blind at Turning Point

The Office of Performance Evaluations released an evaluation report of the Idaho School for the Deaf and the Blind (ISDB) in Gooding at an October 17 meeting of the Joint Legislative Oversight Committee. The report concludes that ISDB is at a turning point for policymakers to determine its future. This turning point is due to declining enrollment, rising costs per student, use of campus facilities at less than one-half capacity and more requests from school districts for regional services.

The annual cost for each ISDB residential student is approximately \$82,000. During the past 15 years, enrollment at ISDB has dropped 40 percent. As of September 2005, there were 75 students enrolled on the campus—37 residential students and 38 day students.

Options for policymakers to consider for the ISBD include continuing with the current service delivery model and incorporating OPE recommendations, or choosing a new approach that addresses declining enrollment and meets contemporary student needs. The report offers nine recommendations to improve program management and ensure adherence to Idaho statutes. The full report is available on OPE's Web site at [legislature.idaho.gov/ope](http://legislature.idaho.gov/ope).

In further action during its October meeting, the Joint Legislative Oversight Committee approved the scope of a study of the Department of Health and Welfare's management structure. OPE will assess how well the department's management is doing with respect to some of its functions—including communication with policymakers, stakeholders and staff—and identify areas that need further study. OPE expects to release the report by mid-February.

*Staff Contact: Rakesh Mohan*

**The next JLOC meeting is scheduled for Tuesday, December 13 at 1:30 p.m. in the East Conference Room of the Joe R Williams Building. OPE will present its report on the state's substance abuse treatment programs and services.**

**OPE Director Rakesh Mohan is now a proud new citizen of the United States;** he took the citizenship oath in September. Rakesh came to the United States from India in 1976 to do graduate work in chemistry at Michigan State University. During these 29 years, he says he has been blessed with a great family, wonderful friends and excellent professional opportunities, including the privilege and honor of serving the Idaho Legislature. Please join us in offering our sincere congratulations to Rakesh and his family.



## Staff Update

Managing Auditor **Craig (Bones) Thomson** will retire on November 1 after 35 years with Legislative Audits. Bones began working in August 1970 as one of the first auditors hired for the newly established Legislative Auditors Office. He has been involved in many audits over his career, and has served in recent years as the managing auditor for the statewide Comprehensive Annual Financial Report and the statewide Single Audit. He plans to relax, check out auctions and possibly retry his hand at some fishing.

**Adam Martineau** joined the Information Technology group as a network specialist in October. He will be working with Marshall Pinkston supporting the Legislature's computer network infrastructure. Adam earned a bachelor's degree in information technology from the University of Phoenix and is pursuing a master's degree from Capella University. An Idaho native, Adam relocated for the position from California where he worked for the Boeing Company and the County of Orange.

## Proposed Administrative Rules

### Agriculture, Department of

02.02.09 Inspection/Potatoes for Sale/Retail Outlets

### Building Safety, Division of

07.01.01 Electrical Inspection Tags  
 07.01.02 Electrical Inspections  
 07.01.03 Electrical Licensing/ Registration/General  
 07.01.04 Electrical Specialty Licensing  
 07.03.01 Building Safety (Fee Rule)  
 07.03.01 Building Safety - General  
 07.03.02 Idaho Building Code Board  
 07.03.03 Modular Buildings  
 07.03.05 Manufactured Homes/Chapter Repeal  
 07.03.06 International Building Code/Chapter Repeal  
 07.03.08 Commercial Coaches (Chapter Repeal)  
 07.05.01 Public Works Contractors License Board  
 07.07.01 Installation/Heating/Ventilation/Air Cond. Systems

### Industrial Commission

17.02.08 Miscellaneous Provisions

### Occupational Licenses, Bureau of

24.06.01 Board of Hearing Aid Dealers & Fitters  
 24.23.01 Speech & Hearing Services Licensure Board

### Parks and Recreation, Department of

26.01.20 Administration/Park & Rec. Areas & Facilities  
 26.01.31 Admin/IDPR State & Fed Grant Funds/Consistency

26.01.37 Test Procedures/Instruments/Noise Abatement

### Real Estate Commission

33.01.01 Reduces Bi-Annual Licensing Fee Amounts  
 33.01.01 To Comply/Coordinate/Deadlines SB1010

### Tax Commission, State

35.01.01 Income Tax Administrative Rule 275  
 35.01.01 Income Tax Admin. Rules/799,920,921,922,923  
 35.01.01 Administration & Enforcement  
 35.01.01 Income Tax Admin. 006,050,075,107,108,120  
 35.01.02 Sales & Use Tax Admin. 041,058,063,068  
 35.01.02 Sales & Use Tax Admin./Amends 037 & 047  
 35.01.02 Sales & Use Tax Admin./070,079,099,102  
 35.01.03 Property Tax Admin. Rule 960 Amended  
 35.01.03 Property Tax Admin. 006,130,131,315,509  
 35.01.05 Motor Fuels Tax Admin./010,130,140,150  
 35.01.10 Cigarette/Tobacco Products Tax Admin.  
 35.01.11 Unclaimed Property Tax

### Transportation Department, Idaho

39.04.02 Marking of Obstructions to Air Flight

*Staff Contact: Charmi Arregui*

## New to the Legislative Reference Library

### Constitutional Law

**Constitutional Law in a Nutshell.** Jerome A. Barron and C. Thomas Dienes. Thomson/West, 2005. (342.2 B37 2005)

### Crime and Technology

**Funding Justice Information Sharing.** Blake Harrison. National Conference of State Legislatures, 2005. (363.258 H37 2005)

**Identification Security Technology and Policy Issues.** Joe Anne Bourquard et al. National Conference of State Legislatures, 2005. (364.163 B68 2005)

### Directories

**CSG State Directory: Directory II, Legislative Leadership, Committees and Staff.** Council of State Governments, 2005. (353.932 C6 2005)

### Disabilities

**Assistive Technology for School Age Children with Disabilities: A Handbook for Parents and Caregivers.** LaRae Rhoads, Ronald J. Seiler and Michelle Doty. University of Idaho, 2002. (362.4 U55 2002)

**Coordinated Human Service Transportation: State Legislative Approaches.** Matthew Sundeen, James B. Reed, and Melissa Savage. National Conference of State Legislatures, 2005. (362.4 S86 2005)

### Education

**Education Statistics Quarterly.** National Center for Education Statistics. U.S. Department of Education, 2004 (371 N38 2004)

## Health

### **Evidence-Based Medicine and State Health Policy.**

Barbara Yondorf. National Conference of State Legislatures, 2004. (614.4 Y56 2004)

### **Pharmaceuticals: A Snapshot for State Legislatures.**

Richard Cauchi and Karmen Hansen. National Conference of State Legislatures, 2005. (368.3824 C38 2005)

**State Roles in Tobacco Policy: A Snapshot for State Legislatures.** Stephanie Wasserman. National Conference of State Legislatures, 2005. (362.296 W37 2005)

## Legislative Guides

### **Asking Key Questions: How to Review Program**

**Results.** National Conference of State Legislatures, 2005. (352.439 N38 2005)

### **Building a True Partnership with Your Constituents.**

Bruce Feustel. National Conference of State Legislatures, 2005. (328.331 F48 2005)

### **Financial Literacy: A Primer for Policymakers.**

Heather Morton. National Conference of State Legislatures, 2005. (332.024 M67 2005)

**Texas House Practice.** Hugh L. Brady, editor. Capitol Hill Books, 2005. (328.76405 B73 2005)

## Medical Malpractice

**Expertise in Medical Malpractice Litigation: Special Courts, Screening Panels, and Other Options.** Catherine T. Struve. Project on Medical Liability in Pennsylvania, 2003. (368.5642 S87 2003)

### **Resolving the Medical Malpractice Crisis: Fairness**

**Considerations.** Maxwell J. Mehlman. Project on Medical Liability in Pennsylvania, 2003. (368.5642 M44 2003)

### **Understanding Pennsylvania's Medical Malpractice Crisis: Facts About Liability Insurance, the Legal**

**System, and Health Care in Pennsylvania.** Randall R. Bovbjerg and Anna Bartow. Project on Medical Liability in Pennsylvania, 2003. (368.5642 B68 2003)

## Native Americans

**Homeland Security and Indian Country.** Catherine Chan and Sia Davis. National Conference of State Legislatures, 2005. (970.5 C53 2005)

**Piecing Together the State-Tribal Puzzle.** Judy Zelio. National Conference of State Legislatures, 2005. (970.5 Z45 2005)

## Property

**Regulatory Takings.** Steven J. Eagle. Matthew Bender & Co., Inc., 2005. (343.0252 E24 2005)

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## Legislative Perspective

*An Internet Newsletter —*

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